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Pension World

The Magazine for Plan Sponsors and Investment Managers/ A Publication of Communication Channels, Inc.

Master Trust Services Aren't Just for Large Funds Anymore

Pick the Right Choices for 401(k) Investments

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Pension World

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Cover: **The computer terminal has replaced the ledger sheet in Master Trust recordkeeping. Photo by Bernard Carpenter, courtesy of Wachovia Bank and Trust Company, N.A. Our lead story on Master Trust services today begins on page 24.**

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Update

7th Annual Real Estate

Name and address	Person to contact, phone	Total assets under real estate portfolio management (millions)	Number of pension fund real estate clients	Total pension fund real estate assets under portfolio management (millions)
AETNA LIFE & CASUALTY CO. 151 Farmington Avenue, MB64 Hartford, CT 06156	Stephen F. LeLaurin Manager 203/636-6275	$16,000 +	427	$2,197
COLDWELL BANKER 437 Madison Ave. Suite 420 New York, NY 10022	James G. Nugent Senior Vice President 212/207-6122	$650	40	$650
FIRST EQUITIES INSTITUTIONAL PROPERTIES, INC. Suite 500 6201 Powers Ferry Rd. Atlanta, GA 30339	Paul H. Saylor Executive Vice President & Managing Director 404/952-1500	$81	8	$81
MELLON REAL ESTATE INVESTMENT MANAGEMENT CORPORATION 551 Madison Avenue New York, NY 10022	Karin E. Shewer Vice President 212/702-4049	$700	7	$700
FRANK RUSSELL TRUST CO. P.O. Box 1454 Tacoma, WA 98401	Paul R. Kaltinick President 206/572-2282	$39	13	$39

Master Trust services

Continued from page 26

an oil and gas fund, and a special fund for undervalued stock situations.

Needs of the middle market

As previously noted, the needs of middle-market plan sponsors are getting new attention from Master Trusts. The coming of interstate banking is partially responsible for the new surge of interest in this market. As banks attempt to establish total banking relationships with companies in new geographic areas, their ability to provide more sophisticated trust services than their prospects have heretofore received may be a door opener. As a result, middle-market companies can expect much trust courting ahead.

The needs of these companies are somewhat different from those of larger plan sponsors, which probably have been using specialty investment managers for many years, have both defined contribution and defined benefit plans, have full-time professionals on staff to examine benefit/pension trends, and develop asset allocation models. However, the gap between the needs of medium and large fund sponsors is closing. Impressive investment returns during the past few years have driven up the value of defined benefit plans, providing in many cases surplus dollars to cost-justify more comprehensive and elaborate defined contribution plans. In addition, medium fund sponsors are becoming more sophisticated about such options as 401(k)s and PAYSOPs and have come to understand how a Master Trust relationship might benefit them.

What should these companies consider as they evaluate Master Trusts? Beyond the administrative recordkeeping and investment management areas, they should assess a Master Trustee's commitment to meeting future requirements as well as the management of its current family of services.

Flexible benefit or cafeteria plans appear likely to be the next employee benefit surge. And, like other programs on which some of their components will be patterned, they will require very sophisticated administration and recordkeeping. Such plans may well allow employees to fund vacation, medical, legal expense, and dental plans to suit their particular needs.

Such future expansions make the "Master Trust" relationship concept even more attractive for large companies and of increasing inter-

Portfolio Manager Directory

Breakdown of assets into real estate holdings	Participation offered	Geographical diversification	Minimum investment	Return on investment (net of fee)	Fee
Properties — $585 million Partnerships — $379 million Participating Mortgages — $347 million Mortgage Loans — $82 million	Open-end commingled equity and mortgage accounts, closed-end equity accounts, separate accounts, individual property and/or depositor separate accounts.	National	No minimum on commingled open-end accounts. $500,000 for closed-end equity accounts.	14.06% for both closed-end equity & mortgage accounts.	Graded contract charges plus per annum asset management fee of: 1.00% — open-end and closed-end equity; 0.75% — participating mortgage; individually priced — for both separate account and advisory services.
100% income-producing properties	Limited partnership interest	National, concentrating in areas in excess of 1,000,000 population.	$1 million	Varies by fund	Commingled funds include a 1% acquisition fee, 1.15% fee on acquisition cost for management and 12.5% of proceeds in excess of a 10% cumulative return.
Income-producing properties — 100%	Direct or commingled; equity, debt or hybrid debt including land sale-leaseback/leasehold loan.	National	$2 million	Minimum 15%/ annum	Varies
Income producing properties — 60% Mortgages — 40%	Individual direct real estate investment accounts, participation in closed-end commingled funds.	National	$10 million for direct accounts; $250,000 for fund.	Not reported	Acquisition fee, annual investment management fee based on cash flow and disposition fee.
N/A	Open-end; units of participation	N/A	$250,000	N/A	1½%

est and importance to middle-market companies. "Master Trusts" should provide middle-market as well as large companies with a family of services that lets them create programs suited to their corporate needs. While Master Trust services have changed considerably in recent years, there is much more evolution ahead. □

Clayton A. Boggan is senior vice president and manager of the employee benefits department of the Trust Division, Wachovia Bank and Trust Company, N.A., Winston-Salem, NC. He has been with the bank since 1956. He is a graduate of the University of North Carolina at Chapel Hill and has completed the executive program at the University of Virginia in Charlottesville. Mr. Boggan is a member of *Pension World's* Editorial Advisory Board.

The Finest in
Master Trust Services for
Over a Decade . . .

First Trust Saint Paul
Member First Bank System

First Trust Company of Saint Paul
First National Bank Building
Saint Paul, Minnesota 55101

Robert J. Kay
612/291-4937

9th Annual Directory of Master and Directed Trust Services

The following *Pension World* Directory is a listing of firms indicating that they offer master and/or directed trusts. It is not an exhaustive list but rather identifies the firms that responded in full to *Pension World's* questionnaire.

During September 1984, the questionnaire was mailed to 400 U.S. banks and trust companies. Of the 80 responses, 76 firms indicated that they offer master and/or directed trusts.

Master Trust continues to be defined in individual ways by the banks and trust companies offering this service. A technical definition, according to several authorities in the corporate trust industry, is a trust in which *multiple* plans of the same company or control share investment experience under *one trust document.* In working terms, however, some of the definitions used for master trust include: 1) an arrangement under one trust agreement that includes multiple money managers, one of which may or may not be the trustee; 2) a pooling of one sponsor's assets, which may include multiple managers and *one* or more plans, under one trust document; or 3) a pooling of directed trusts.

Similarly, several different definitions are given to the term *directed trust.* The general definition is a trust under which the trustee has less than full managerial authority of the plan sponsor's assets. However, the term is often used synonymously with *directed portfolio,* in which a manager has the authority to direct only those investments within the particular portion of assets under his direct control; and it is sometimes associated with *general trust,* in which a separate trust agreement is written for that portion of assets under the manager's control.

Recognizing this, figures gleaned in the following survey are not always comparable, although *Pension World* has taken every precaution to present these data in their most accurate form. All information in the directory was provided by the banks and trust companies listed. *Pension World* appreciates the efforts of those who completed and returned the questionnaires and hope that each year's directory will continue to be more comprehensive.

Name and Address of Bank	Number of Separate Master Trust Clients	Number of Directed Trust Clients	Master Trust Assets (in millions)	Directed Trust Assets (in millions)	Custodial Employee Benefit Assets (in millions)	Total Employee Benefit Assets (in millions)
American Trust Co. of Hawaii, Inc. 841 Bishop St., Ste. 1203 Honolulu, HI, 96813 Contact: Robert F. Midkiff/ President 800/367-5210	20	2,884	$150	$737	$580.3	$770.2
	Services Provided: Performance measurement, participant recordkeeping, ERISA disclosure assistance, benefit disbursement, loan processing, 401(K) and common trust funds					
American Trust and Savings Bank 895 Town Clock Plaza Dubuque, IA 52004-0938 Contact: Paul R. Jaeger/T.O. 319/582-1841	0	68	0	$21.1	$15.1	$36.2
	Services Provided: Portfolio review, participant recordkeeping, ERISA disclosure assistance, benefit disbursement and market inventory fund					
AmeriTrust Co. 900 Euclid Ave. Cleveland, OH 44101 Contact: Gary W. Queen/ Senior V.P. 216/687-4089	24	32	$3,100	$1,750	0	$6,200
	Services Provided: Performance measurement, portfolio analysis, portfolio review, participant recordkeeping, securities lending, benefit disbursement, index fund, investment management, real estate, TUCS, 401(K) plans, PAYSOP and remote inquiry					
Bank of America, NT & SA Dept. 9032 555 California St. San Francisco, CA 94104 Contact: Carole Swartz/V.P. 415/622-5238	33	259	$12,100	$2,500	$9,500	$16,200
	Services Provided: Performance measurement, portfolio analysis, portfolio review, participant recordkeeping, securities lending, ERISA disclosure assistance, benefit disbursement					
Bank of New England 28 State Street, 12th Floor Boston, MA 02109 Contact: Seavey Bowdoin, V.P. 616/973-4000	NA	47	NA	$410.8	$685.9	$1,100.3
	Services Provided: Performance measurement, portfolio analysis, portfolio review, participant recordkeeping, securities lending, ERISA disclosure assistance, benefit disbursement and index fund					
The Bank of New York 48 Wall Street New York, NY 10015 Contact: Lynne D. Kemper/ Assistant Secretary 212/530-1355	58	Not reported	$12,500	Not reported	$8,500	$21,000
	Services Provided: Performance measurement, portfolio analysis, portfolio review, securities lending, ERISA disclosure assistance, benefit disbursement, market inventory fund, global custody, on-line, beneficial interest, options/futures, administration					

Number of Separate Portfolios Maintained	Average Number of Accounts per Account Supervisor	Average Number of Accounts per Investment Mgr. Contact	Accounting System Utilized	Fail Float Credit	Short-Term Instruments Used	Date Interest on Short-Term Fund Credited	Timeliness of Reporting Package
NA	240	NA	Trade date (full accrual)	No	Federally insured bank and savings and loan CD's, passbook accounts and cash as well as overnight bank repurchase agreements	Monthly	Within 7 days after month end
Crediting Dividend and Interest Policy: Direct credit to account on pay day + 2 **Fee Structure:** Based on combination of asset value and individual services							
98	72	33	Contractual settlement date	No	Federated cash management systems for short term government obligations	On payable date	15 days after period end
Crediting Dividend and Interest Policy: Credited on collection of funds on payable date **Fee Structure:** Based on combination of asset value and individual services							
140	7	25	Trade date (full accrual); contractual settlement date with pending adjustment; actual delivery date	No	Short term fund, variable demand notes, CD's, T-bills, Euro dollars, commercial paper and financial reserve funds.	On payable date	3-5 business days after month end
Crediting Dividend and Interest Policy: On payable date with good funds **Fee Structure:** Based on combination of asset value and individual services							
292	3	NA	Contractual settlement date	Yes	STIF fund	1st day of month following date indicated on fund	10 business days for monthly and quarterly report; 20 business days for annual report.
Crediting Dividend and Interest Policy: Cash on payable date **Fee Structure:** Based on combination of asset value and individual services.							
88	22	11	Trade date (full accrual)	Yes	In house short term reserve fund, T-bills, bankers acceptances, CD's	Monthly	Fully automated overnight for review adjustments and re-running
Crediting Dividend and Interest Policy: Pre-posting on payable date **Fee Structure:** Based on combination of asset value and individual services							
Not reported	5-10	Not reported	Trade date (full accrual); contractual settlement date with pending adjustment; contractual settlement date; actual delivery date	Yes	STIF, domestic and foreign, master notes	Daily	2-5 days
Crediting Dividend and Interest Policy: Fed funds on payable date **Fee Structure:** Based on combination of asset value and individual services							

Name and Address of Bank	Number of Separate Master Trust Clients	Number of Directed Trust Clients	Master Trust Assets (in millions)	Directed Trust Assets (in millions)	Custodial Employee Benefit Assets (in millions)	Total Employee Benefit Assets (in millions)
Bank One, Dayton, N.A. Kettering Tower Dayton, OH 45401 Contact: C. T. Warriner/V.P. 513/449-8718	7	23 clients 53 separate funds	$272.1	$262.1	$35.4	$439.1
	Services Provided: Performance measurement, portfolio analysis, portfolio review, participant record-keeping, ERISA disclosure assistance, benefit disbursement, zero balance benefit disbursement for master trust; automatic daily sweep of funds in excess of $1.00; investment management					
Bank of Oklahoma, N.A. P. O. Box 2300 Tulsa, OK 74192 Contact: Phillip J. Owings/Sr. V.P. and Sr. T.O. 918/588-6449	3	20	$81.4	$143.2	$559.8	$1,523.3
	Services Provided: Performance measurement, portfolio analysis, portfolio review, participant record-keeping, ERISA disclosure assistance, benefit disbursement, automatic cash management and GIC's					
Bankers Trust Company 280 Park Avenue/6E New York, NY 10015 Contact: Carter P. Reynolds/ V.P. 212/850-2089	111 15 separate master custody	153	$59,000	$2,700	$4,500	$66,200
	Services Provided: Performance measurement, portfolio analysis, portfolio review, participant record-keeping, securities lending, ERISA disclosure assistance, benefit disbursement, index fund, market inventory fund, controlled liquidation, performance attribution					
Bishop Trust Company, Ltd. P. O. Box 2390 Honolulu, HI 96804 Contact: Daniel P. Zaehring/ V.P./Mgr. Emp. Benefits Div. 808/523-2275	60	178	$35	$150	0	$260
	Services Provided: Performance measurement, portfolio analysis, portfolio review, participant record-keeping, ERISA disclosure assistance, benefit disbursement, plan administrator consulting and design.					
Branch Banking & Trust Co. P. O. Box 1847 Wilson, NC 27893 Contact: Michael J. Kuchar/ V.P., Emp. Benefit Services 919/399-4111	0	250	0	$90	0	$370
	Services Provided: Performance measurement, portfolio analysis, portfolio review, participant record-keeping, securities lending, ERISA disclosure assistance and benefit disbursement					
Boston Safe Deposit & Trust Co. One Boston Place Boston, MA 02106 Contact: John R. Snow V.P. 617/722-6970	33	200	$16.2	$579.5	$3.4	20.2
	Services Provided: Performance measurement, portfolio analysis, portfolio review, participant record-keeping, securities lending, ERISA disclosure assistance, benefit disbursement, index fund, on-line analytical time-sharing, micro analytics via personal computer, global custody, options accounting, financial futures, asset allocation, manager monitoring and consulting					

Number of Separate Portfolios Maintained	Average Number of Accounts per Account Supervisor	Average Number of Accounts per Investment Mgr. Contact	Accounting System Utilized	Fail Float Credit	Short-Term Instruments Used	Date Interest on Short-Term Fund Credited	Timeliness of Reporting Package
66	20	NA	Contractual settlement date with pending adjustment	Yes On master trust only	Commercial paper, T-bills, proprietary open-end investment companies	Month end	Interim reports, 3-5 business days; annual reports, 7-25 business days
Crediting Dividend and Interest Policy: Payable date with collected funds, governments, agencies, commercial paper, STIF clearinghouse funds and all other issue. **Fee Structure:** Based on combination of asset value and individual services							
70	17	1	Trade date (full accrual)	No	Bank-operated STIF funds, various masternotes, specialized money funds, individual issues of commercial paper, T-bills, CD's	2 days after month end	2-7 days after month end
Crediting Dividend and Interest Policy: Payable date with automatic computer credit **Fee Structure:** Based on combination of asset value and individual services							
1,431	12	45	Trade date (full accrual); contractual settlement date with pending adjustment, actual delivery date.	Yes	6 funds available	Accrued daily paid FOM	3rd business day following the report generation period
Crediting Dividend and Interest Policy: On payable date, same day funds **Fee Structure:** Based on combination of asset value and individual services							
371	15 master or 40 directed	NA	Contractual settlement date with pending adjustment	No	Registered money market fund, T-bills, CD's, REPO's, commercial paper	Daily, paid on 2nd working day of following month	3 working days transaction; 10 working days asset valuation and projections
Crediting Dividend and Interest Policy: Pay date + 1 with good funds **Fee Structure:** Based on combination of asset value and individual services.							
250	50	25	Trade date (full accrual); contractual settlement date with pending adjustment	Yes	Bank money rate savings, mutual funds, T-bills	Monthly (first business day)	5 business days after month end
Crediting Dividend and Interest Policy: Payable date **Fee Structure:** Based on combination of asset value and individual services							
389	4	11	Trade date (full accrual)	Yes	STIF, money market funds and reserve deposit account	3rd business day of following month	5 business days after period end
Crediting Dividend and Interest Policy: Payable date for Fed funds; next business day following payable date for clearinghouse funds **Fee Structure:** Based on combination of asset value and individual services							